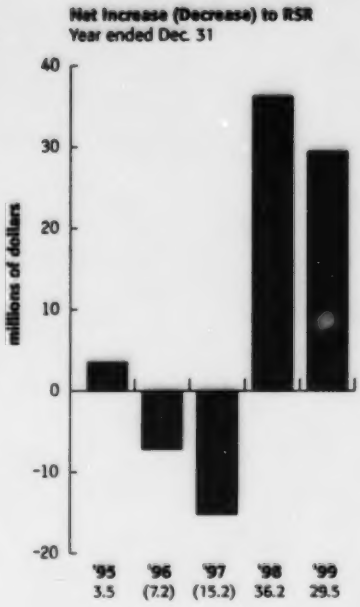
Auto Fund 1999 Summary

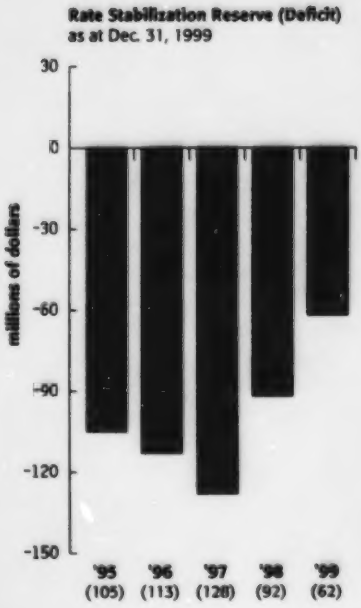
- The deficit in the Auto Fund's Rate Stabilization Reserve (RSR) soared to nearly $128.0 million by the end of 1997. In the past two years, that deficit has been reduced to $62.1 million. This year's financial results confirm the RSR is moving in the right direction.

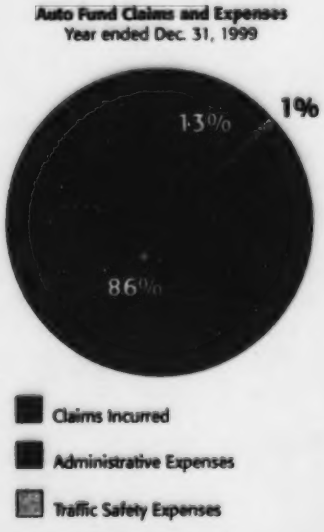
- The Auto Fund continued to phase-in a new, more comprehensive rating system for motor vehicles in 1999. The "Canadian Loss Experience Automobile Rating" (CLEAR) is a national system based upon a large pool of data, which enhances fairness in rating for vehicle owners. To date, approximately 50% of all light vehicles have been evaluated through CLEAR. The results for 2000 show 55% of light vehicles evaluated had rate increases, 18% had their rates decreased and 27% were unchanged.

- In its first full year of operation, the initial results of the Driver Improvement Program are encouraging. The program resulted in 6,023 warning letters, 2,019 interview requests and 437 licence suspensions. The results exceed SGI targets for the first year. We're optimistic this program will continue to make a difference on Saskatchewan's roads.

- The Auto Fund's administration costs remain among the lowest in the Canadian insurance industry, even though it provides more services, such as administering vehicle registrations and driver's licences. In 1999, the Auto Fund returned 86 cents to customers and spent only 13 cents of every dollar on administration expenses. Conversely, in 1998 (the latest year for which figures are available), the insurance industry as a whole spent 31 cents of every dollar on administration and returned 69 cents to customers.







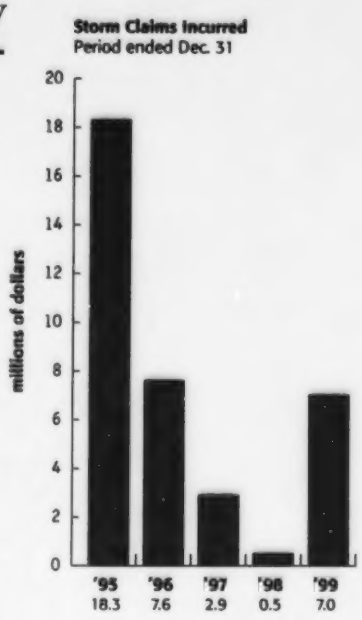
SGI CANADA 1999 Summary

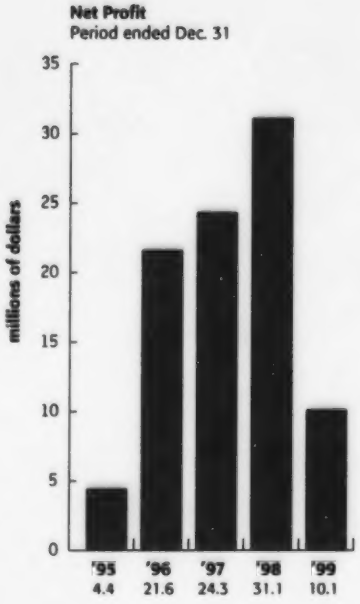
- SGI CANADA sells property and casualty insurance in Saskatchewan, competing with about 100 other companies in the insurance market. Products include home, agro, extension auto and commercial.

- SGI CANADA marked its 14th consecutive year of profitability in 1999, earning a profit of $10.1 million. Premiums written were $164.2 million and investment earnings totalled $20.5 million.

- SGI CANADA's underwriting results and investment earnings were lower in 1999 as compared to 1998. Increased claim costs for storm and fire-related claims and unreported claims from prior years contributed to reduced underwriting results. Investment earnings were lower primarily due to lower gains on the sale of bonds.

- SGI CANADA is a corporate leader when it comes to technology. Its latest project is the development of a broker extranet. This tool will allow brokers to better access valuable information from SGI CANADA. Broker extranet, along with other SGI CANADA technologies - including GIS, Broker Interface and direct bill - mean the Corporation will continue to provide superior service to brokers and their clients.



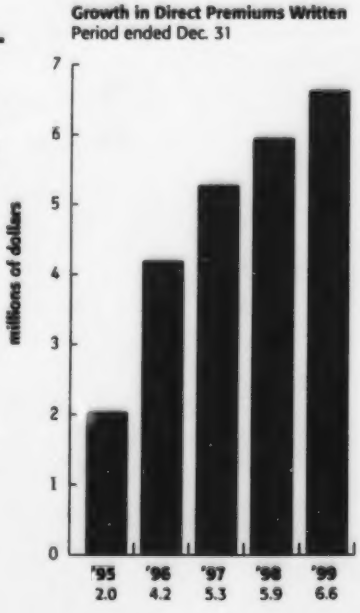


SCISL 1999 Summary

- SGI CANADA Insurance Services Ltd. (SCISL) had another profitable year in 1999, recording after-tax profits of $188,000.

- Since SCISL's inception in 1993, the company's operating strategy has been careful, controlled growth. This strategy has served SCISL well over the past six years, providing the company with a solid foundation in Manitoba and Northwestern Ontario.

- SCISL continued to grow in 1999, reaching $6.6 million in direct premiums written by year end - a 12% increase over 1998. This makes SCISL one of the top 15 property and casualty insurance companies in Manitoba in terms of total premiums written.



SGI CANADA

Saskatchewan Auto Fund

ANNUAL REPORT 1999

SGI

SGI VISION:

As a Saskatchewan based insurance company we will set the industry standard for being highly valued by our customers

SGI VALUES:

Integrity: Conducting ourselves with honesty, trust and fairness

Caring: Acting with empathy, courtesy and respect

Innovation: Implementing creative solutions to achieve our vision

Operational Highlights

Auto Fund on track to reduce deficit. The deficit in the Rate Stabilization Reserve (RSR) soared to nearly $128.0 million by the end of 1997. In the past two years, that deficit has been cut in half. But there is still a long way to go. This year's strong financial results ensure the Fund is moving in the right direction.

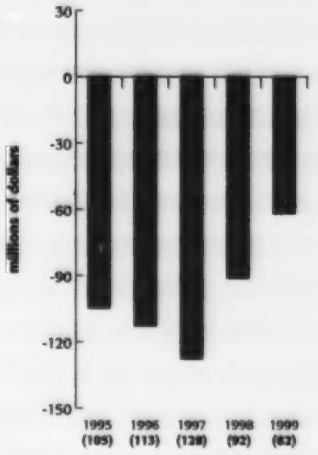
Enhancing fairness in rating. SGI continued to phase in a new, more comprehensive rating system for motor vehicles in 1999. The "Canadian Loss Experience Automobile Rating" (CLEAR) is a national system based upon a large pool of data, bringing fairer auto insurance rates for vehicle owners in Saskatchewan. To date, approximately 50% of all light vehicles have been evaluated through CLEAR. The results for 2000 show 55% of light vehicles evaluated had rate increases, 18% had their rates decreased and 27% were unchanged.

Driver Improvement Program initial results encouraging. In its first full year of operation, the Driver Improvement Program resulted in 6,023 warning letters, 2,019 interview requests and 437 driver's licence suspensions. The results exceed SGI targets for the first year. We're optimistic this program will continue to make a difference on Saskatchewan's roads and highways in the future.

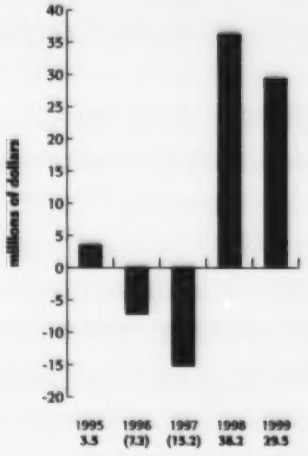
Administration costs among the lowest in the Canadian insurance industry. SGI compares favourably to similar insurance programs in Manitoba (MPI) and British Columbia (ICBC).

The Auto Fund also compares favourably to private insurance companies, even though SGI provides more services, such as administering vehicle registrations and driver's licences. In 1999, the Auto Fund spent only 13 cents of every dollar on administration expenses. Conversely, in 1998 (the latest year for which figures are available), the insurance industry as a whole spent 31 cents of every dollar on administration.

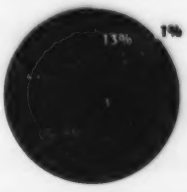
RATE STABILIZATION RESERVE (DEFICIT)
(at Dec. 31)



NET INCREASE (DECREASE) TO RSR
(at Dec. 31)



SGI CLAIMS AND EXPENSES
as at Dec. 31, 1999



CLAIMS INCURRED
ADMINISTRATIVE EXPENSES
TRAFFIC SAFETY EXPENSES

INSURANCE INDUSTRY CLAIMS AND EXPENSES
as at Dec. 31, 1998

CLAIMS INCURRED
ADMINISTRATIVE EXPENSES

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Donald W. Cody, Chair
Mayor of Prince Albert
Prince Albert

J. Walter Bardua, Vice-Chair
Retired insurance professional
Nanaimo, B.C.

Joan F. D. Baldwin
Doctor
Regina

Joan D. Bellegarde
Director of Operations,
Touchwood File Hills
Qu'Appelle Tribal Council
Fort Qu'Appelle
(missing from photo)

Larry Fogg
President and CEO, SGI
Regina

William J. A. Heidt
Business owner
Kelowna, B.C.

Nancy E. Hopkins
Lawyer
Saskatoon

P. James Mills
Insurance broker
Elrose, Sask.

Dana C. Stutsky
Insurance adjuster
Saskatoon

Senior Management

Vice Presidents

Margaret Anderson, Systems
Cheryl Barber, Human Resources
Earl Cameron, Claims
Alan Cockman, Auto Fund
John Dobie, Finance and Administration
Randy Heise, Underwriting

Assistant Vice Presidents

Doug Campbell, Claims
Anna Lapierre, Auto Fund
Ken Lerner, Legal
Bob Lundy, Claims
Maureen MacCuish, Communications
Gerry Marsden, Reinsurance
Bernadette McIntyre, Auto Fund
Arun Patel, Salvage
Jim Roberts, Commercial Lines
Lorne Whippler, Personal Lines
Sherry Wolf, Claims

Letter of Transmittal

Regina, Saskatchewan

March, 2000

To Her Honour,
The Honourable Lynda Haverstock,
Lieutenant-Governor of the
Province of Saskatchewan

Your Honour:

I have the honour to submit herewith the annual report of the Saskatchewan Auto Fund for the year ended December 31, 1999, including the financial statements in the form required by the Treasury Board and in accordance with the Automobile Accident Insurance Act.

I have the honour to be, Madam,

Your obedient Servant,

John T. Nilson

Honourable John T. Nilson, Q.C.
Minister Responsible for Crown Investments Corporation

One of the greatest challenges the Saskatchewan Auto Fund faces entering the new millennium is the substantial deficit in the Rate Stabilization Reserve (RSR).

Outstanding injury costs from the old tort-based system, combined with rising vehicle damage claim costs, contributed to a record deficit of nearly $128.0 million in the RSR by the end of 1997. In the last two years, we have begun to tackle that deficit - reducing it to $62.1 million, a $65.7 million decrease.

To ensure the long-term survival of the Fund, the RSR must be returned to a surplus position. Strong financial results for 1999 kept us on track to reach that goal.

Auto Fund on track to reduce deficit

The Auto Fund began 1999 with a $91.6 million deficit in the RSR. By the end of the year, that was reduced to $62.1 million. The major factors behind the $29.5 million reduction in the deficit in 1999 include proactive traffic safety programming, low damage claims in winter months, increased premium revenue and continued strong investment earnings.

Claim costs did rise over 1998 levels, in part due to the impact of a number of severe summer storms. However, exceptional winter driving conditions helped to balance the impact of those summer storms on the Auto Fund's bottom line. We'd also like to thank Saskatchewan motorists for doing their part. By continuing to drive safely and responsibly, drivers helped keep accidents and claims low in the winter of 1999.

An average 2% increase in auto rates was implemented in 1999. It was the second phase in a three-year strategy, implemented following a public rate review in 1997. Rates were first raised an average of 5% in 1998, along with an increase in the deductible from $500 to $700. The final increase in the plan, averaging 2%, took place Jan. 1, 2000. These increases have helped the Fund deal with the rising costs of vehicle damage repair, which in 1999 reached over $218.0 million.

It is important to note that auto rates in Saskatchewan remain among the lowest in Canada. For more than 50 years, Saskatchewan drivers have enjoyed affordable, stable insurance rates. We will continue to work to keep it that way in the next century.

Tradition of low administration costs

Another way SGI works to ensure we provide low rates year after year is through our tradition of low administration costs. SGI compares favourably to similar insurance programs in Manitoba (MPI) and British Columbia (ICBC).

The Auto Fund also compares favourably to private insurance companies, even though SGI provides the additional services of administering vehicle registrations and driver's licences. In 1999, the Auto Fund returned 86 cents of every dollar it spent to its customers in the form of claim expenditures, while it spent only 13 cents on administration expenses and one cent on traffic safety prevention. Conversely, in 1998 (the latest year for which figures are available), the insurance industry as a whole, which must spend more money to promote and underwrite its products, returned 69 cents of every dollar to customers, spending 31 cents on administration.

We pride ourselves on having among the lowest administrative costs in the Canadian insurance industry. It's a tribute to the hard work of SGI employees.

Commitment to customer service

While it is important to keep rates affordable and administration costs down, SGI works hard to ensure those goals are not achieved at the expense of customer service. In fact, SGI has introduced many initiatives in the past year aimed at serving our customers better.

The Used Vehicle Information Initiative was implemented in May, providing information on the history of used vehicles to the public, for a $10 fee.

SGI also continued to phase in a new, more comprehensive rating system for motor vehicles in 1999. The system is called "CLEAR," which stands for "Canadian Loss Experience Automobile Rating." CLEAR is a national system based upon a large pool of data, bringing fairer auto insurance rates for vehicle owners in Saskatchewan. To date, approximately 50% of all light vehicles (cars, light trucks, light vans and sport utility vehicles) have been evaluated through CLEAR. The 2000 rate program resulted in rate increases for 55% of light vehicles evaluated, while 18% had their rates decreased and 27% were unchanged.

Among the other customer service initiatives implemented in 1999: extended hours claims service; special customer service training provided to all Auto Fund staff in 1999; and, all motor licence issuers now have access to the Interprovincial Record Exchange (IRE), shortening wait times for customers registering out-of-province vehicles.

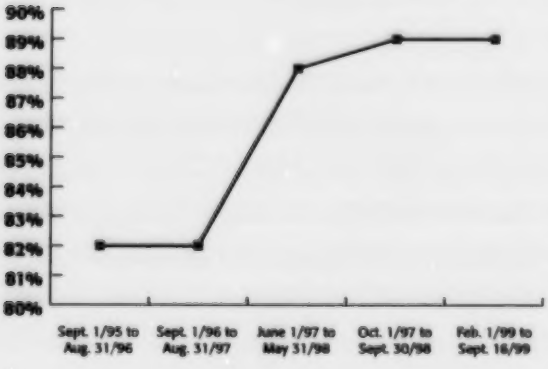
Ongoing claims customer surveys indicate we are headed in the right direction. SGI set 86% as its goal for claims customer service satisfaction in 1999. We are proud to report that the surveys show we have reached a customer service satisfaction level of 89%. We are encouraging all staff to continue to improve our service.

We are proud of how far we have come, but recognize there is always more work to be done.

Commitment to traffic safety

SGI is committed to developing innovative traffic safety programs aimed at preventing accidents and saving lives. Over the past few years, we have launched a variety of programs to reach specific targets in five priority areas: drinking and driving, seat belt use, high-risk intersections, new drivers and high-risk drivers. (For specific results, see the chart on page 7.)

CUSTOMER SATISFACTION (CLAIMS SERVICE)



Seat belt use

Our target for 1999 was to maintain our ranking among the top three provinces in Canada in terms of seat belt use. To do this, SGI brought the Child Restraint campaign to smaller communities never reached before, and we initiated the Rural Seat Belt awareness campaign which included a survey of seat belt use in 10 rural communities.

In 1999, Saskatchewan's national ranking dropped from 2nd to 5th place. It should be noted that the difference between 2nd and 5th place is less than 3%. Currently, it is estimated that 88% of Saskatchewan motorists buckle up. SGI will continue working with law enforcement to encourage the increased use of seat belts, especially in rural areas.

High-risk intersections

SGI continued its partnership with urban municipalities in 1999, to improve safety at high-risk intersections around the province. SGI provided over $50,000 in 1999 to improve two intersections in Prince Albert, and one intersection in Regina.

The target for this program is to achieve a benefit to cost ratio of 2 to 1 within two years of an intersection improvement. Since the program is still fairly new, only two intersections in Saskatoon can be properly measured. Those intersections have surpassed our target and are showing a benefit/cost ratio of 3.1 to 1. We're hopeful we'll continue to see a reduction in accidents and claim costs at all high-risk intersections that are a part of the program.

New drivers

Under the Probationary Driver's Program, SGI sought to reduce the number of accidents involving new drivers by 10% between 1996 and 1999. The program has not reached that goal, recording a reduction of 3.4% over three years. The program is currently being reviewed, and new initiatives are being considered to help address the high collision involvement of inexperienced drivers.

M121

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High-risk drivers

We paid close attention to the Driver Improvement Program, as 1999 was its first full year of operation. The program assigns points to drivers every time they are convicted of a traffic offence or have an at-fault accident. Drivers with too many points receive warning letters, interviews and, in some cases, licence suspensions.

The program exceeded SGI projections, by sending out 6,023 warning letters and 2,019 interview requests, and carrying out 437 licence suspensions.

Initial figures are encouraging. SGI's target for this program was to reduce at-fault accidents by nine accidents per 100 drivers every year. In 1999, we surpassed that goal. At-fault accidents were reduced by 61 accidents per 100 drivers. We're confident this program contributed to the reduction. We're also optimistic that by getting tough with high-risk drivers, this program will continue to make a difference on Saskatchewan roads in coming years.

Drinking and driving

Arguably, the number one priority area for SGI's traffic safety division remains drinking and driving. We've continued our involvement in successful programs like the "Bloody Idiot" awareness campaign, the "Have Someone For the Road" designated driver program, and the "Ding in the New Year" program, which provides free bus service to city residents on New Year's Eve.

We've seen positive changes in the safety of our roads, much of it thanks to tough new drinking and driving legislation, introduced Aug. 1, 1996.

In the three years since the stronger laws were implemented, compared to the previous three-year period, impaired driving convictions have decreased by 15% and alcohol-related collisions have dropped by 9.3%. SGI statistics also show a drop in repeat drinking and driving offences between 1996 and 1999. The number of convictions for a second occurrence of impaired driving has dropped by 23%, and third occurrences are down by 31%.

However, not all the news is good. The number of people dying in alcohol-related collisions has remained steady. Fatalities resulting from alcohol-related collisions rose to 144 between 1996 and 1999, compared with 142 in the three-year period before the new laws.

SGI's goal is to reduce the percentage of fatal accidents involving alcohol by 20% between 1996 and 2001. In the first two years, we made a lot of progress. But that was before 1999, when 84 people were killed in alcohol-related collisions. As it stands today, the figures show a 12.5% reduction in the proportion of fatal accidents involving alcohol over three years.

We intend to remain vigilant in our efforts to reduce the incidence of impaired driving, and will continue working with law enforcement agencies to reach our goals.

Partnering with police

SGI's partnership with provincial law enforcement agencies is an important part of our traffic safety initiatives. SGI and police representatives from around the province work in partnership, and meet formally twice a year as part of the Selective Traffic Safety Enforcement Program (STEP), to find ways to help reduce accidents and save lives.

Through STEP, SGI and police work together to educate the public on traffic safety issues and the steps they can take to protect themselves and their families. Saskatchewan police reinforce those messages through

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We intend to remain vigilant in our efforts to reduce the incidence of impaired driving, and will continue working with law enforcement agencies to reach our goals.

Traffic Safety Priority Area	SGI Programs	Targets	Program Results To Date (1999)
Impaired Driving	Drinking and Driving Initiatives	20% reduction in fatal accidents involving alcohol over 5 year period	12.5% reduction over 3 years
New Drivers	Probationary Driver's Program	10% reduction in number of crashes involving new drivers by 1999	3.4% reduction over 3 years
Seat Belt Use	Seat Belt Initiatives	Maintain Saskatchewan ranking among top 3 provinces	5th place in Canada 88% seat belt use
High-Risk Drivers	Driver Improvement Program	Reduce at-fault accidents by 9 accidents per 100 drivers per year	Reduction of at-fault accidents in 1999: 61 per 100 drivers
High-Risk Intersections	Intersection Improvement Program	Benefit to cost ratio of 2 to 1 within two years of intersection improvements	Two Saskatoon intersections have recorded ratios of 3.1 to 1 after two years

Partnering with police

SGI's partnership with provincial law enforcement agencies is an important part of our traffic safety initiatives. SGI and police representatives from around the province work in partnership, and meet formally twice a year as part of the Selective Traffic Safety Enforcement Program (STEP), to find ways to help reduce accidents and save lives.

Through STEP, SGI and police work together to educate the public on traffic safety issues and the steps they can take to protect themselves and their families. Saskatchewan police reinforce those messages through

stop-checks and their regular presence around the province. SGI takes part in specific enforcement blitzes throughout the year that are dedicated to raising awareness about such issues as seat belt use, unsafe vehicles and drinking and driving.

Salvage vehicle donations

SGI also aids police organizations by loaning salvage vehicles. Our Salvage and Claims Technical Services staff use recycled auto parts to restore vehicles that are total losses, back into pre-accident condition. Selected vehicles are chosen for donation every year.

In 1999, SGI loaned nine of these salvage vehicles to law enforcement organizations in Saskatchewan. These vehicles have been used as unmarked police vehicles in traffic enforcement.

This year, SGI also donated an 11-passenger 1997 Dodge van to Citizens All of Moose Jaw. Citizens All provides services and support for individuals with challenging intellectual needs in the Moose Jaw area. We're proud to have been able to aid this deserving charity in their efforts to give individuals with intellectual disabilities the chance to enjoy and participate in a full community life.

SGI will continue to look for ways to best use selected salvage vehicles to give back to the community.

SGI officially presented a salvage van to Citizens All of Moose Jaw in December. Pictured (left to right) SGI Manager of Corporate Relations & Safety Promotion Shelley Pohl, Citizens All Board President Liz King and SGI President Larry Fogg.

Outlook for 2000

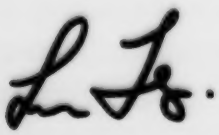
An independent review of SGI's Personal Injury Protection Plan will take place under the guidance of an independent review panel in 2000.

We look forward to the review, and the opportunity to present the panel with our list of 44 recommendations for improvements to the program. These recommendations fall into three broad categories - improvements to customer service, increased benefits for those seriously injured or under-compensated, and decreased benefits where over-compensation is a barrier to recovery.

We welcome the results of the review and suggestions on how to make the system even better.

As we embark on a new millennium, we must continue to provide Saskatchewan motorists with the quality, affordable auto insurance and related services they have come to expect. At the same time we must have an eye to the future, and work to return the Rate Stabilization Reserve to a surplus position.

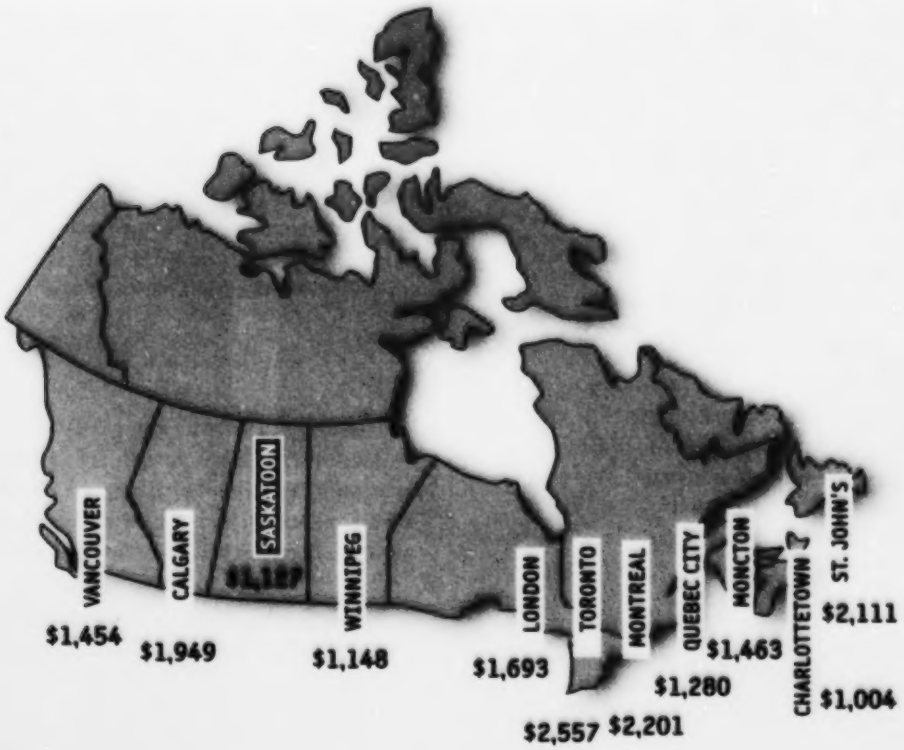
The scheduled 2% rate increase in 2000, combined with enhanced traffic safety initiatives and an emphasis on controlling operating costs, are all necessary to stay on track and ensure the long-term stability of the Fund.



Larry Fogg
President

COMPARISON OF PROJECTED VEHICLE INSURANCE PREMIUMS

(at January 2000 for a 2000 Ford Taurus SE)



Driving and Rating Criteria:

Four years claim-free driving
$1,000,000 third-party liability
Deductible – $500 comprehensive
– $250-300 collision

2000 Taurus SE
All-purpose use

Source: Runzheimer

SGI's rates for automobile insurance remain among the lowest in the country.

Weather, by its very nature, is unpredictable. Saskatchewan has its share of sudden, unexpected weather events every year. The damage these severe storms leave in their wake can be devastating. It's one of the reasons the Auto Fund was created in 1945 - to protect Saskatchewan motorists.

For the Auto Fund, claim numbers and costs are significantly impacted by climatic conditions. For example, good winter weather improves driving conditions, which reduces the number of accidents and claims. On the other hand, winter storms can cause accidents and fender-benders, while large summer storms can create a large, one-time hit of wind and hail damage claims.

Summer storms can have a huge impact on motorists and the Auto Fund. Even one severe summer storm can result in a large number of wind, rain and hail damage claims. That one storm can have a direct impact on the results of the Fund in that year. Here's how summer weather conditions have affected three years in particular.

1995

In 1995, the Auto Fund recorded a modest surplus of $3.5 million - it would have been higher if not for several devastating storms throughout the summer months that resulted in abnormally high claim costs. Three days of wind and hail hit the Melville, Fillmore and McTaggart areas in mid-June, resulting in claim costs of $4.2 million. By any standard, it was a large and damaging storm. Unfortunately, it was just the beginning.

The worst hail and wind storm of 1995 swept across southern Saskatchewan on Aug. 26, hitting the town of Pilot Butte the hardest. That storm system alone resulted in claim costs of $7.6 million. In total, the Auto Fund sustained $17.6 million in claim costs from six severe storms in the summer of 1995.

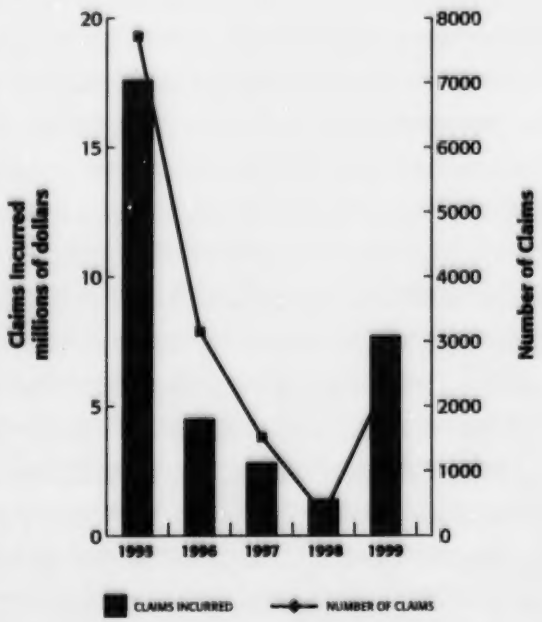
1998

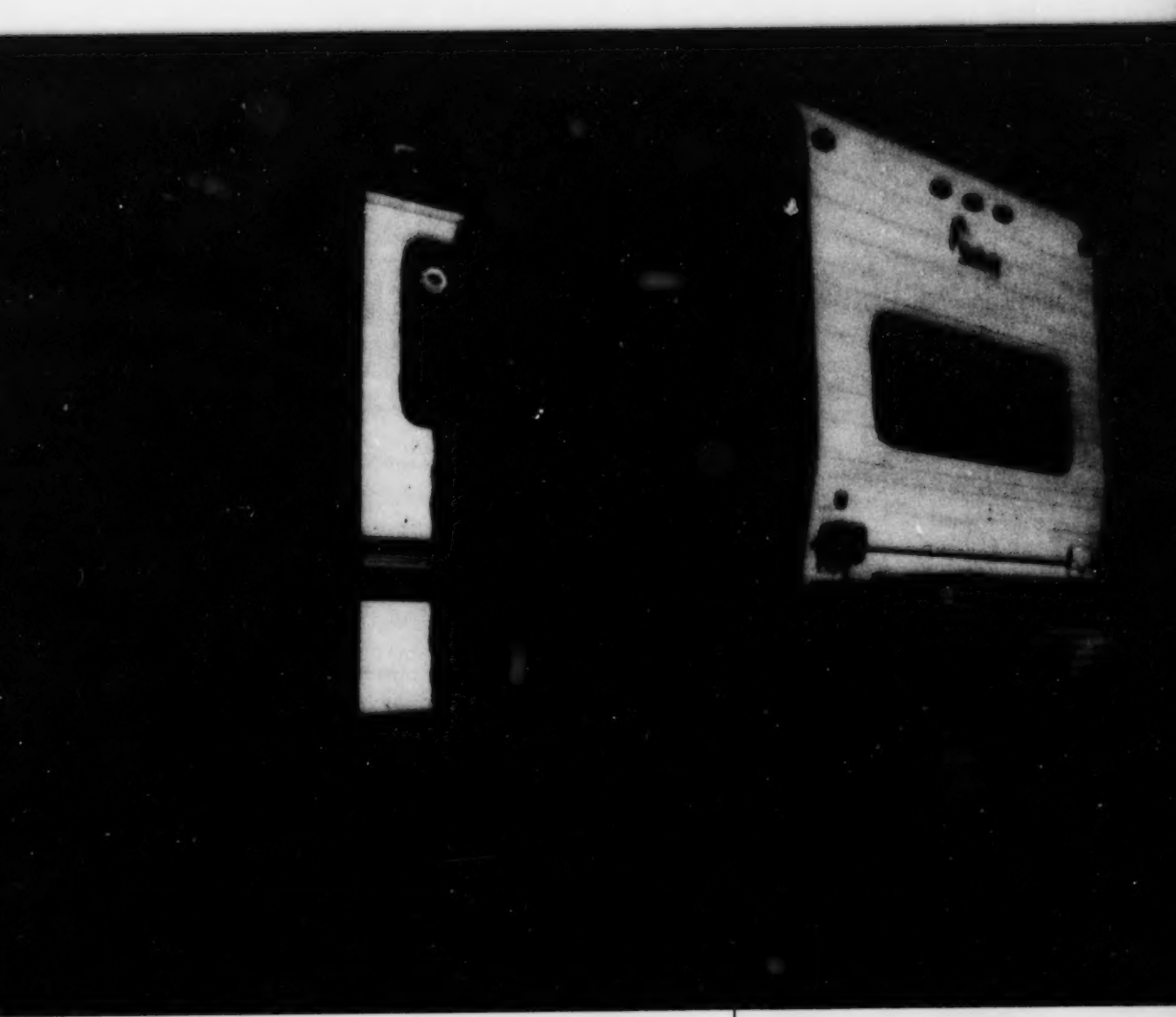
The summer of 1998 was calm, with only one major summer storm costing the Auto Fund $1.4 million in claim costs. Overall, the summer weather in 1998 had a positive effect on financial results of the Auto Fund.

1999

The summer of 1999 saw four major storms sweep across southern Saskatchewan. By far the most devastating hit Emerald Park, White City and Estevan on Aug. 8. Incredibly high winds and golf ball size hail caused over $4.6 million in vehicle damage claim costs. In total, 1999 saw the Auto Fund sustain $7.7 million in claim costs from summer storms.

SUMMER STORM STATISTICS





High winds and golf ball size hail accompanied a severe summer storm which hit Emerald Park in August – this trailer was caught in its path.

However, these storms were not devastating to the Auto Fund's bottom line. We have another weather anomaly to thank for that. Saskatchewan was blessed with an unusually mild winter in 1999, which meant better driving conditions and fewer accidents during winter months. The mild winter balanced the effects of the storm-filled summer, helping the Auto Fund record a $29.5 million surplus in 1999. Unfortunately, we can't always count on the weather to be so forgiving.

The unpredictability of the weather is one of the reasons we're working hard to restore the RSR to a surplus position. A surplus will act as a buffer against unpredictable events, absorbing higher claim costs without having to pass those costs along to Saskatchewan motorists.

Improving Customer Service

At SGI, we recognize the importance of providing our customers with the absolute best in customer service. We made customer service a top priority in the claims area, and here are some of the improvements we've implemented so far:

- Human resources - increased staffing levels in the claims area
- Administrative processes - the Application for Benefits Form has been simplified, and new policies on loss drafts and meal expenses have allowed Personal Injury Representatives to speed up reimbursement of expenses to injured people
- Targets - customer service targets have been set and presented to all staff working with the auto injury program. The targets address things like timeliness of response and providing adequate information to those injured in auto collisions
- Training - a structured program of ongoing training has been developed to address gaps identified in personal development and in technical areas

One of our most successful customer service initiatives implemented for the public in the past year is the Used Vehicle Information Initiative. The service provides information on the history of used vehicles to the public. For a $10 fee, a customer can make a request for information on a used vehicle at any SGI motor licence issuer. SGI will then search the databases of jurisdictions across Canada for information on that vehicle, and pass along any results found to the customer.

From the date the program was implemented, May 18, to the end of 1999, SGI received 7,999 inquiries from the public. The response to this program has been overwhelmingly positive. People are telling us it's a great help having a quick and easy way to check on the status of a used vehicle, before they purchase it. It's giving our customers peace of mind.

We've come a long way in our delivery of customer service, but recognize there is still more work to be done to enhance our customer service into the new millennium.

Cindy Roming, Saskatoon Manager of Claims Rehabilitation, is pictured in a rehabilitation facility. Recent customer service initiatives have been aimed at the claims injury area.

Developing cost-effective traffic safety programs and strategies is an important part of SGI's mandate. Fewer accidents mean fewer vehicle damage and injury claims. But more importantly, our commitment to traffic safety helps prevent accidents and save lives.

In 1999, we're especially proud of three programs: the child restraint campaign, the high-risk intersection initiative and the rural seat belt campaign.

Child restraint campaign

The annual Child Restraint campaign was expanded to include many more rural communities in 1999. The free, drive-through clinics were held between May and October, educating parents on proper installation of a child car seat. We partnered with the Insurance Brokers' Association of Saskatchewan (IBAS) to bring the information to areas of the province we hadn't reached before. SGI CANADA brokers, Health Districts and other provincial agencies also hosted clinics in many small communities.

SGI's Jamie Lerat examines a child car seat at a free clinic held in 1999.

Clinics were held in 73 Saskatchewan communities, more than three times the number reached the year before. In total, 91 free clinics were held across the province, with 2,718 car seats checked. That compares to 29 clinics held in 1998, with just over 1,700 car seats checked.

Installing a child restraint in a vehicle is not as easy as it first appears. It's a complicated procedure with many checks and balances. Only 50% of children in Saskatchewan are properly restrained while riding in a vehicle. We hope that by providing this information, all the parents that attended a clinic will remember and use the information on a daily basis, helping to prevent injuries.

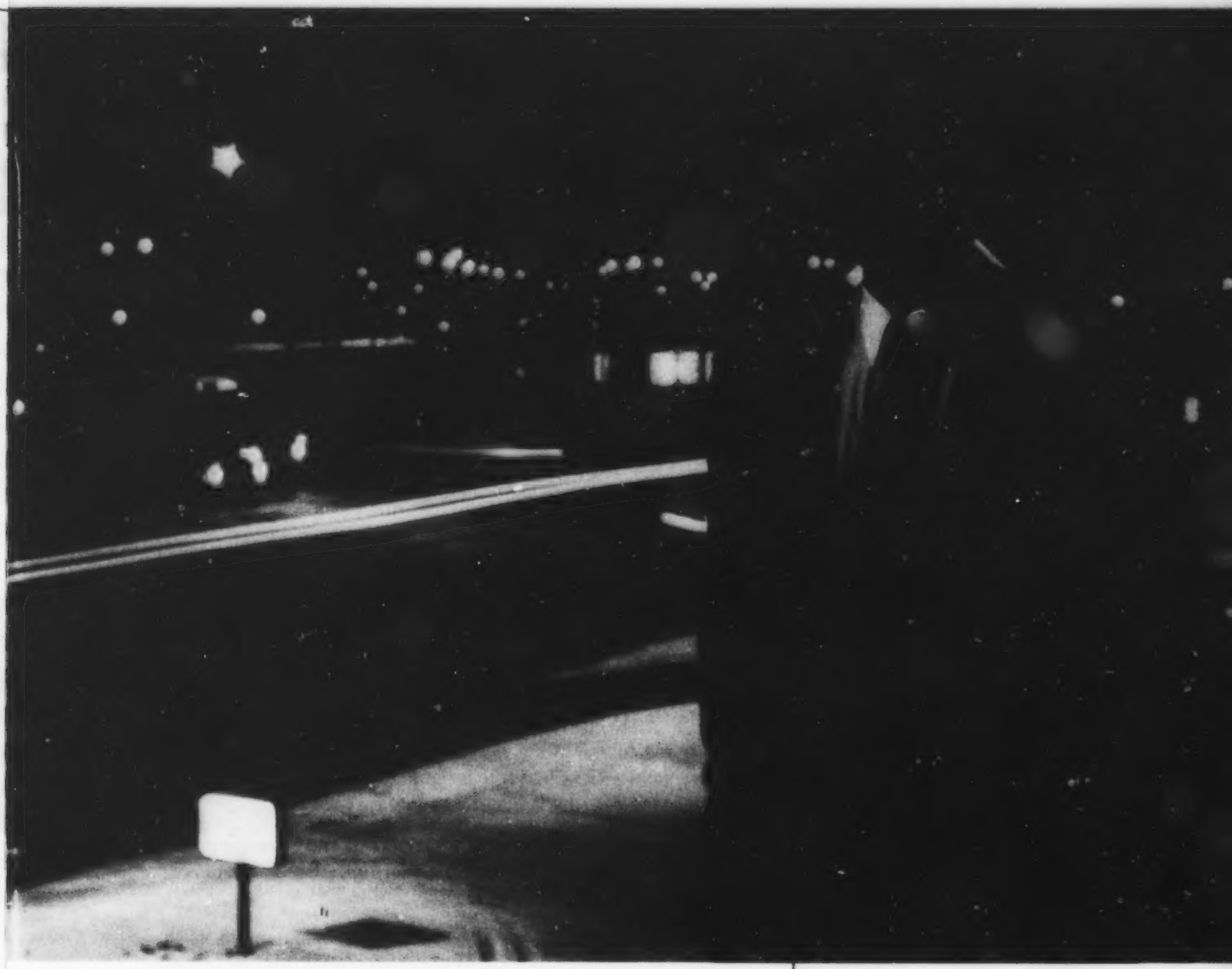
High-risk intersections

One of our most promising initiatives to date is the intersection safety program. SGI and urban municipalities agree to share the cost of improving the safety of high-risk intersections.

Statistics show that more than 40% of all traffic accidents in Saskatchewan and about a quarter of all fatal accidents occur at intersections. Most of these accidents occur in urban centres, such as Regina, Saskatoon and Prince Albert.

In 1999, two high-risk intersections in Prince Albert and one intersection in Regina were improved under this program. SGI contributed $7,775 for the Prince Albert improvements, and committed $43,000 to upgrade the intersection in Regina.

To date, the program has helped to improve three intersections in Saskatoon, two in Prince Albert and another two in Regina. Improvements include things like traffic monitoring cameras, skid-resistant pavement, high-visibility signage, overhead signal lights, installation of left-turning lanes and improved pavement markings.



Kwei Quaye, Manager of Traffic Safety Program Evaluation, stands near the Regina intersection of Elphinstone Street and Saskatchewan Drive. Left-turning lanes were added to this high-traffic intersection in 1999.

By the end of 1999, SGI had invested more than $190,000 in the program, which is expected to pay for itself over time. In fact, for every dollar invested, we estimate we will save at least two dollars in claim costs within two years.

Most importantly, by improving the safety of high-risk intersections, SGI's goal is to reduce the number of accidents and save lives.

Rural seat belt campaign

It takes about five seconds to put on a seat belt, but statistics show a number of drivers in rural Saskatchewan do not take the time to buckle up. SGI statistics show that in 1999, 36 people died in vehicle crashes on Saskatchewan's rural roads, and 22 of them, or 61%, were not wearing their seat belts.

In an effort to increase seat belt use in rural communities, radio ads were produced and aired in February and April. Posters highlighting this issue were also created and sent to rural area claims centres, bulk fuel stations and grain elevators across Saskatchewan.

SGI also worked with members of local Students Against Drinking and Driving chapters to survey seat belt use in rural areas of the province. The randomly chosen towns that participated were Assiniboia, Biggar, Canora, Carlyle, Esterhazy, Gravelbourg, Kindersley, Meadow Lake, Nipawin and Pierceland.

The survey showed that Assiniboia had the best record for buckling up, with 82% of drivers and right-front seat passengers wearing their seat belts. Meadow Lake was close behind, with 81%. Gravelbourg was at the bottom of the list at 68%. Compared to the latest Transport Canada survey (mainly done in urban centres) which shows 88% seat belt use in Saskatchewan, it is clear to us that we must emphasize the need to use seat belts in our rural communities.

SGI will use the data in targeting education and accident prevention initiatives in the area of seat belt use. Our goal is to reduce the number of fatalities and serious injuries on our rural roads.

SGI Salvage

Salvage is very important to the Auto Fund's bottom line. Any profits generated by Salvage sales are directed into the Saskatchewan Auto Fund, helping to minimize increases to auto insurance rates and helping to reduce the deficit in the RSR.

Our Salvage branches recycle and sell vehicles and auto parts, both reducing claim costs and earning a profit. In 1999, Salvage recorded a profit of $4.8 million. The strong financial showing is an indication that word is out about our quality service, professional advice and competitive prices.

Over the years, Salvage has evolved into one of the most progressive, successful recycling operations in North America. SGI Salvage recycles antifreeze, gasoline, freon and oil from salvaged vehicles. All of these initiatives help Salvage fulfill its environmental mission statement, which promises to "minimize pollution, maximize recycling and promote environmental awareness."

The Moose Jaw Salvage branch saw a big change in 1999. Work was underway all year to construct a new building to house Moose Jaw's auto salvage and parts operation. The move was needed to deal with a substantial growth in parts inventory and the number of vehicles the branch processes, which made the existing building and yard space insufficient.

With construction complete by the end of 1999, the official move was set for early 2000. The new site will provide sales, salvage and claims compounds that will ensure Moose Jaw Salvage will better meet the needs of customers and staff.

Ron Macknak, Branch Manager of Moose Jaw Salvage, stands outside the newly constructed Moose Jaw Salvage facility. Inset at right, the old Salvage Building.

Introduction

This report focuses on the financial position and operating results of the Saskatchewan Auto Fund. The information in this section should be read in conjunction with the Fund's financial statements and accompanying notes.

The Saskatchewan Auto Fund is the compulsory automobile insurance program administered by SGI on behalf of the people of Saskatchewan. The Fund provides vehicle registrations, driver's licences and related services to all Saskatchewan motorists. The Fund operates on a break-even basis over time, and neither receives money from nor pays annual dividends to the provincial government.

The Fund provides coverage for damage to or loss of an insured's vehicle, subject to a deductible, as well as up to $200,000 liability for property damage and/or injuries caused to another person. The Fund also provides all Saskatchewan residents with personal injury coverage under the Personal Injury Protection Plan (PIPP). The injury benefits and rehabilitation opportunities provided under PIPP are among the best in Canada.

1999 overview

In 1999, the Auto Fund reduced its deficit for the second consecutive year. The 1999 surplus was $29.5 million while 1998's was $36.2 million. These surpluses have helped increase the financial stability of the Auto Fund by reducing the deficit in the Rate Stabilization Reserve (RSR) to $62.1 million, from its peak of $127.9 million in 1997.

Total revenues increased in 1999 to $474.6 million, a $21.9 million increase over last year. Premium revenue and other income increased, but were partially offset by lower investment earnings, which decreased due to lower gains on the sale of investments.

The $21.9 million increase in revenues was also offset by growth in total claims and expenses of $28.7 million. Claim costs reached $384.3 million in 1999, a $34.0 million increase over 1998. A reduction in administrative expenses partially offset the increased claim costs.

The 1999 surplus of $29.4 million is a better result than expected. The Auto Fund financial plan, which is developed in September of the prior year, projected a 1999 surplus of $22.4 million. Contributing to the better than budgeted results are higher investment earnings of $4.4 million, due to higher than expected gains on the sale of equities and higher fixed income earnings. Claim costs were $2.5 million more than the plan, but this variance was offset by expenses (issuer fees, taxes, administrative expenses and traffic safety programs) being $5.0 million less than budgeted.

In arriving at the financial plan, long-term averages are used combined with relevant information anticipated for the upcoming year. While the surplus for the year is $7.1 million more than budgeted, most revenue and expense categories were near the budget. Total revenues exceeded the estimate by 1%, and total claims and expenses were lower than the plan by less than 1%.

Revenues

Premiums written in 1999 of $427.6 million are $23.5 million higher than in 1998. The increase is a result of a newer vehicle population which costs more to insure, and a 2% average rate increase. The 1999 rate increase was the second year of a three-year rate program, with the final phase implemented on Jan. 1, 2000, with a further 2% average rate increase.

The Fund holds amounts in reserve for unearned premiums and unpaid claims. These funds are invested and help reduce insurance rates for vehicle owners. Because a portion of these funds are held only for short periods, and because of the possibility of large cash outflows due to unpredictable weather, an insurance company must use a more short-term investment approach than a pension plan (which invests its funds for longer periods). As well, the

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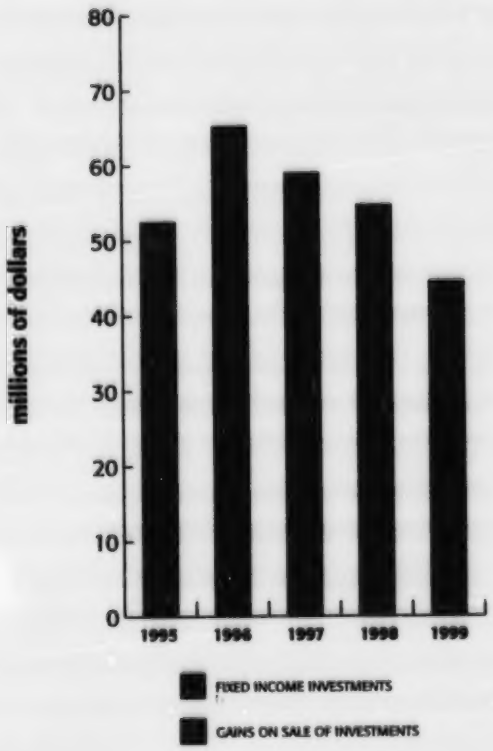
INVESTMENT EARNINGS



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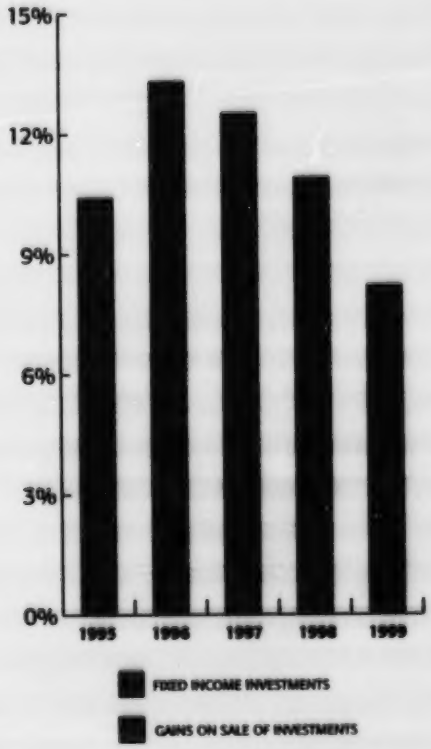
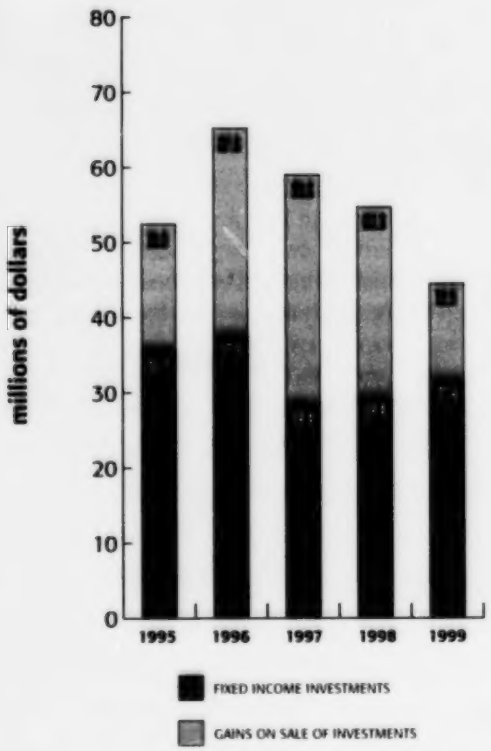


INVESTMENT EARNINGS



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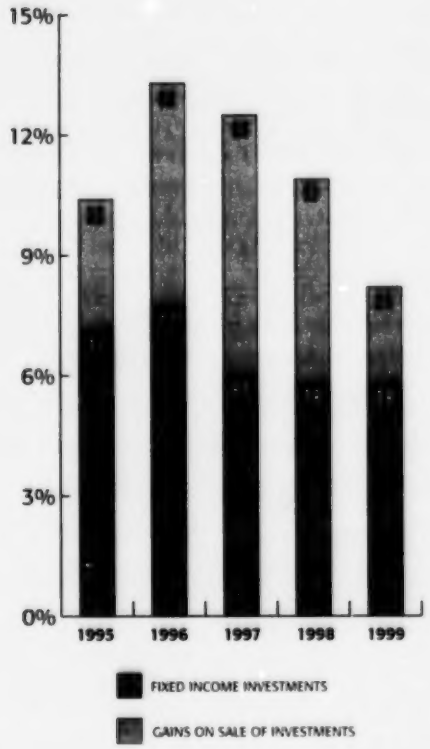


Fund records the appreciation in market value of its investments only upon their sale, unlike pension plans, which are required to record their investments at market value.

Investment earnings totaled $44.5 million in 1999, $10.2 million lower than the $54.7 million in earnings recorded last year. The decrease is largely attributable to lower gains on the sale of investments.

Other income consists of fees charged to insureds for utilizing the AutoPay and Short-Term Vehicle Registration and Insurance payment option programs, and net income from the Salvage division.

Payment options allow customers more flexibility in paying for their automobile insurance. Vehicle owners who choose the AutoPay option have monthly withdrawals taken from their bank accounts to pay for their annual premiums, while vehicle owners who choose the Short-Term registration option are able to insure their vehicles for terms ranging from 89 to 364 days.

Vehicle owners who choose the AutoPay or Short-Term payment options are charged a fee to recover administration costs and lost investment income. These fees generated $11.5 million in revenue in 1999, compared to $9.3 million in 1998. The popularity of AutoPay and Short-Term registration has been increasing each year, resulting in higher income.

The Fund operates a Salvage division, with branches in five communities in Saskatchewan. SGI Salvage is one of the most progressive recycling operations in North America, and helps reduce the Auto Fund's claim costs by selling recycled automobile parts and whole vehicles from total loss claims. Net income in 1999 was $4.8 million, compared to $4.2 million in 1998.

Expenses

Claims incurred in 1999 were $384.3 million, a $34.0 million increase over last year. This result is due to an increase in the number of both vehicle damage and injury claims, combined with increases in the average cost for these claims. Costs to repair vehicles generally increase each year, since there are newer vehicles in the province each year which cost more to repair. As well, labour rates to repair vehicles also rise each year. The average cost for injury benefits increases each year due to indexing of benefits.

The Corporation establishes provisions for unpaid claims as they are reported. After they are established, as more information becomes available about the claim, the provision is adjusted. A provision is also established, with the assistance of an external actuary, for future development on reported claims and claims that have not yet been reported.

Insurance regulators and the Canadian Institute of Actuaries (CIA) have different standards for discounting claim liabilities to recognize the time value of money. The Corporation follows the standard of insurance regulators, which only allows discounting of certain claim liabilities, while the CIA's standard requires discounting of all claim liabilities.

Issuer fees decreased in 1999 primarily due to a $1.6 million premium deficiency adjustment. If anticipated future claims and expenses are expected to exceed unearned premiums, a premium deficiency exists and a writedown of deferred expenses is required. In 1997, a premium deficiency of $2.1 million was recorded, which increased issuer fee expenses and decreased deferred expenses. In 1998, $500,000 of the premium deficiency recorded in 1997 was reversed. In 1999, the remaining $1.6 million was reversed. Excluding the effect of these adjustments in 1998 and 1999, issuer fees increased by $463,000.

Administrative expenses have decreased by $5.6 million in 1999, primarily due to decreased depreciation costs for computer systems and equipment as well as lower maintenance costs for computer systems.

Liquidity

The Fund purchases reinsurance protection to protect against major catastrophes adversely affecting the Rate Stabilization Reserve. While the Fund is currently in a deficit position, given the size and conservative nature of the investment portfolio, combined with the long-term nature of a portion of its claim liabilities, it is confident that it can meet all liabilities as they become due.

Risk management

Catastrophe exposure

The Fund is exposed to losses arising from catastrophic events. With the Fund insuring all vehicles in the province, it is susceptible to large losses from major storms in Saskatchewan. To contain this risk, it purchases catastrophe reinsurance protection which reduces the potential impact from major losses as a result of catastrophic events.

Provision for unpaid claims

The Fund maintains a provision for unpaid claims to cover its liability for future payments on these claims. The provision includes an estimate for future development on reported claims, and an estimate for claims that have not yet been reported. These provisions are estimates, and the ultimate payment on these claims will differ somewhat from the estimate. The Fund faces the risk that the ultimate payment on these claims will be materially different than the established provision.

Investment returns

Investment earnings currently represent 9% of the total revenue of the Fund. These earnings help reduce rates for vehicle owners in Saskatchewan. Returns from capital markets are uncertain and fluctuate from year to year, which the Corporation has little control over. To mitigate the fluctuations, the Corporation maintains a well-diversified investment portfolio and utilizes the services of three investment managers.

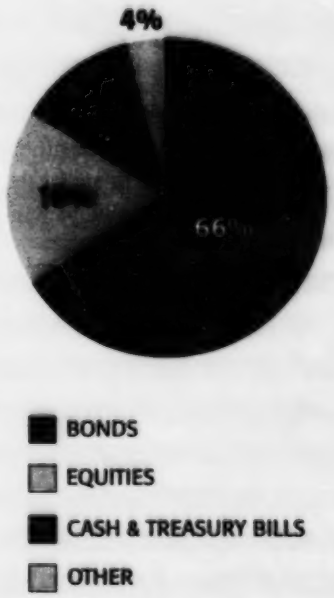
Each of the investment managers follows the guidelines established in the Investment Policy and Objectives, which provides the manager with a guideline for the quality, quantity and rate of return standards for the portfolio. The Investment Policy and Objectives for each fund manager are reviewed annually by management and approved by the Board of Directors. Fund managers produce quarterly reports on the performance of assets under their management that are reviewed by corporate management and the Finance and Investment Committee. As well, the Corporation utilizes the services of an investment consultant to independently review and report on the performance of the investment managers.

Outlook

When PIPP was implemented in 1995, the government included in the legislation a mandatory review of the plan every five years. An independent panel was appointed in 1999 to review PIPP and is scheduled to begin its review in 2000. Any changes made to the current program will have an impact on the financial results of the Fund and future rate increases.

Although the Fund had a surplus in 1999 and 1998, the deficit is still significant at $62.1 million. As well, financial results in both years benefited from fairly mild winter driving conditions which cannot be counted on every year. The deficit must be eliminated to provide stability in rates and thus avoid any need for sharp rate increases in the future. A similar reduction in the deficit is expected in 2000.

INVESTMENT PORTFOLIO
as at Dec. 31, 1999



Responsibility for Financial Statements

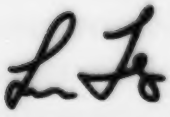
The financial statements are the responsibility of management and have been prepared in conformity with accounting principles generally accepted in Canada. In the opinion of management, the financial statements fairly reflect the financial position, results of operations and cash flows of the Saskatchewan Auto Fund (the Fund) within reasonable limits of materiality.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

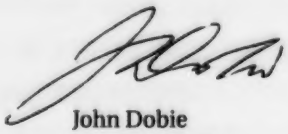
An actuary has been appointed by the Fund to carry out a valuation of the policy liabilities in accordance with accepted actuarial practice and common Canadian insurance regulatory requirements. The policy liabilities consist of a provision for unpaid claim and adjustment expenses on the earned portion of policies and of future obligations on the unearned portion of policies. In performing this valuation, the actuary makes assumptions as to future rates of claim frequency and severity, inflation, reinsurance recoveries, expenses and other contingencies, taking into consideration the circumstances of the Fund and the nature of the insurance policies. The actuary also makes use of management information provided by the Fund and the work of the external auditors in verifying the data used in the valuation.

The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance, administrator of the Fund. An Audit Committee, composed of members of the Board of Directors, meets periodically with financial officers of Saskatchewan Government Insurance and the external auditors. These external auditors have free access to this committee, without management present, to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

As appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan, KPMG have been appointed external auditors. Their responsibility is to report to the Members of the Legislative Assembly regarding the fairness of presentation of the Fund's financial position and results of operations as shown in the financial statements. In carrying out their audit, the external auditors also make use of the work of the actuary and his report on the policy liabilities. The Auditors' Report outlines the scope of their examination and their opinion.



Larry Fogg
President
Saskatchewan Government Insurance
as Administrator of the
Saskatchewan Auto Fund



John Dobie
Vice President
Finance and Administration
Saskatchewan Government Insurance
as Administrator of the Saskatchewan Auto Fund

February 11, 2000

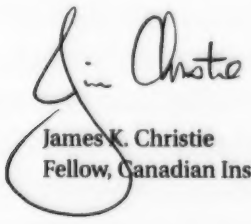
Actuary's Report

To the Board of Directors of
Saskatchewan Government Insurance

I have valued the policy liabilities of Saskatchewan Auto Fund for its statement of financial position at December 31, 1999 and their change in the statement of income for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods, except as described in the following paragraph.

In accepted actuarial practice, the valuation of policy liabilities reflects the time value of money. Common insurance regulatory practice requires that the valuation of some policy liabilities not reflect the time value of money. My valuation complies with that practice. The provision for unpaid claims carried by the company on the statement of financial position is $525,250,000. The provision for unpaid claims according to accepted actuarial practice is $521,601,000.

In my opinion, except as noted in the previous paragraph, the amount of policy liabilities makes appropriate provision for all policyholder obligations, and the financial statements fairly present the results of the valuation.



Toronto, Ontario
February 11, 2000

James K. Christie
Fellow, Canadian Institute of Actuaries

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Auto Fund as at December 31, 1999 and the statements of operations and Rate Stabilization Reserve (deficit) and statement of cash flows for the year then ended. These financial statements are the responsibility of the management of Saskatchewan Government Insurance as administrators of the Fund. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 1999 and the results of its operations and the cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Regina, Canada

February 11, 2000

Statement of Financial Position

December 31	1999	1998
	(thousands of $)	
Assets		
Cash and treasury bills (note 3)	$ 66,160	$ 50,169
Accounts receivable (note 4)	54,073	36,337
Deferred policy acquisition costs	9,671	7,365
Prepaid expenses and inventories	3,806	3,184
Investments (note 5)	500,133	468,762
Net investment in capital leases (note 6)	7,077	7,455
Capital assets (note 7)	30,498	28,548
	$ 671,418	$ 601,820
Liabilities		
Accounts payable and accrued charges	$ 13,457	$ 20,736
Premium taxes payable	17,162	16,224
Provision for unpaid claims (note 8)	525,250	493,032
Unearned premiums	177,683	163,450
	733,552	693,442
Rate stabilization reserve (deficit)	**(62,134)**	(91,622)
	$ 671,418	$ 601,820

Commitments (note 13)

(see accompanying notes)

Statement of Operations and Rate Stabilization Reserve (Deficit)

year ended December 31	1999	1998
	(thousands of $)	
Premiums written	$ 427,551	$ 404,006
Premiums earned	$ 413,852	$ 384,395
Investment earnings (note 9)	44,543	54,737
Other income (note 10)	16,252	13,571
Total revenue	**474,647**	452,703
Claims incurred	384,324	350,292
Issuer fees	11,561	12,198
Premium taxes	16,611	15,442
Administrative expenses	26,736	32,308
Traffic safety programs	5,927	6,231
Total claims and expenses	**445,159**	416,471
Net increase to rate stabilization reserve	**29,488**	36,232
Rate stabilization reserve (deficit), beginning of year	(91,622)	(127,854)
Rate stabilization reserve (deficit), end of year	**$ (62,134)**	$ (91,622)

(see accompanying notes)

Statement of Cash Flows

year ended December 31	1999	1998
	(thousands of $)	
Cash provided by (used for) operating activities		
Net increase to rate stabilization reserve	$ 29,488	$ 36,232
Non-cash items:		
Amortization	5,738	9,730
Realized gain on disposal of investments and capital assets	(14,090)	(27,169)
(Income) loss from equity investment	25	(21)
Investment write down	1,203	1,781
Change in non-cash operating items:		
Accounts receivable	(17,736)	(19,054)
Deferred policy acquisition costs	(2,306)	(1,434)
Prepaid expenses and inventories	(622)	(349)
Accounts payable and accrued charges	(7,279)	3,847
Premium taxes payable	938	1,717
Provision for unpaid claims	32,218	5,290
Unearned premiums	14,233	19,428
	41,810	29,998
Cash provided by (used for) investing activities		
Purchases of investments	(628,336)	(527,700)
Proceeds on sale of investments	596,259	498,703
Repayment of capital leases	378	343
Purchases of capital assets	(6,950)	(3,205)
Proceeds on disposal of capital assets	56	10
	(38,593)	(31,849)
Increase (decrease) in cash and cash equivalents	**3,217**	(1,851)
Cash and cash equivalents:		
Balance, beginning of year	28,866	30,717
Balance, end of year	**$ 32,083**	$ 28,866
Plus treasury bills greater than 91 days to maturity from acquisition date	34,077	21,303
Cash and treasury bills per statement of financial position	**$ 66,160**	$ 50,169

(see accompanying notes)

December 31, 1999

1. STATUS OF THE FUND

The Saskatchewan Auto Fund (the Fund) was established effective Jan. 1, 1984 by an amendment to the *Automobile Accident Insurance Act* (Chapter A-35, Revised Statutes of Saskatchewan, 1978).

The Rate Stabilization Reserve (deficit) is held on behalf of Saskatchewan's motoring public and is not used for the payment of general dividends.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Fund are in accordance with Canadian generally accepted accounting principles. The following are considered to be significant:

Deferred policy acquisition costs
Premium taxes and issuer fees are deferred and then charged to expense over the terms of the insurance policies to which such costs relate. The method followed in determining the deferred policy acquisition costs limits the amount of the deferral to the amount recoverable from unearned premiums after giving consideration to investment income, as well as claim and adjustment expenses expected to be incurred as the premiums are earned.

Investments
Bonds, debentures and mortgages are recorded at amortized cost. Treasury bills, shares, pooled funds and real estate are valued at cost. Investments are written down when there is a decline in value that is other than temporary. Dividends on common shares are recognized as income on their record dates. Gains and losses on the sale of investments are recognized on the date of settlement.

The Fund owns a 20% interest in SGI CANADA Insurance Services Ltd. (SCISL), a company formed to sell insurance products in provinces other than Saskatchewan. The investment in SCISL is recorded on the equity basis, whereby the carrying value of the investment is adjusted by the Fund's share of SCISL's earnings or losses and reduced by cash received.

The Fund has a one-third interest in a real estate joint venture which is accounted for using proportionate consolidation. The resulting income producing property is amortized over its estimated useful life of 50 years on a sinking fund basis. The other interests in this joint venture are SaskPen and a private sector investor. SaskPen is a real estate corporation owned by Province of Saskatchewan employee pension plans.

Capital leases
Investment earnings related to direct financing leases are recognized in a manner that produces a constant rate of return on the investment in each lease. The net investment in leases is composed of net minimum lease payments less unearned finance income.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded on a straight-line basis, commencing in the year in which the assets are placed in service, over their estimated useful lives as follows:

Buildings	2 1/2 - 5%
Computer hardware, system costs and other equipment	20 - 50%

Provision for unpaid claims

The provision for unpaid claims represents an estimate of the total cost of claims to the year-end date. Included in the estimate are reported claims, claims incurred but not reported and an estimate of adjustment expenses to be incurred on these claims. The provision is calculated without discounting, except for long-term disability claims. The estimates are necessarily subject to uncertainty and are selected from a range of possible outcomes. During the life of the claim, adjustments to the estimates are made as additional information becomes available. The change in outstanding losses plus paid losses is reported as claims incurred in the current period.

Premiums

Premiums written are taken into income over the terms of the related policies. Unearned premiums represent the portion of the policy premiums relating to the unexpired term of each policy.

Foreign currency translation

Monetary items denominated in foreign currency are translated at the exchange rate in effect at the year-end. Share investments, revenues and expenses are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

Cash and cash equivalents

Cash and cash equivalents in the cash flow statement consist of cash on hand and treasury bills with a maturity of 91 days or less from the date of acquisition.

3. CASH AND TREASURY BILLS

Cash and treasury bills which comprise treasury bills and commercial paper have an average effective interest rate of 5.1% (1998 - 4.9%). The Fund's investment policy states that securities investments must meet minimum investment standards of R-1, or R-2 high for Canadian grain companies, as rated by a recognized credit rating service.

Holdings for any one issuer, other than the Government of Canada or a Canadian province, are limited to 10% of the market value of the short-term portfolio.

4. ACCOUNTS RECEIVABLE

Accounts receivable is comprised of the following:

	(thousands of $)	
	1999	1998
Financed premiums receivable	$37,613	$21,937
Licence issuers receivable	4,071	4,364
Accrued investment income	3,332	3,654
Amount recoverable on paid claims	2,804	2,494
Other	6,253	3,888
Total accounts receivable	$54,073	$36,337

5. INVESTMENTS

The carrying value and fair value of the Fund's investments are as follows:

	(thousands of $)			
	1999		1998	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Bonds and debentures	$270,033	$264,421	$238,554	$246,204
Pooled bond fund	105,893	105,873	103,057	111,602
Common shares	74,767	118,333	73,058	106,981
Pooled equity fund	24,922	38,408	23,332	31,450
Mortgages	12,425	12,531	17,693	18,115
Income producing property	10,493	11,500	10,556	12,500
Real estate	-	-	950	1,066
	498,533	$551,066	467,200	$527,918
Investment in SGI CANADA Insurance Services Ltd.	1,600		1,562	
Total investments	$500,133		$468,762	

The income producing property consists of land and buildings with costs of $1,451,000 (1998 - $1,451,000) and $9,446,000 (1998 - $9,446,000) respectively and accumulated amortization of $404,000 (1998 - $341,000).

Details of significant terms and conditions, exposures to interest rate and credit risks on investments are as follows:

(i) Bonds and debentures:
The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the investment assets for corporate bonds and debentures and 20% for bonds and debentures issued by any one province. Also, a minimum of BBB is placed on the investment grade of bonds and debentures that may be purchased.

The carrying value and average effective interest rates are shown below by contractual maturity. Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay obligations with or without call or prepayment penalties. The carrying values are essentially the same as the principal values and therefore the average effective rates are not materially different from the coupon rates. Interest is generally payable on a semi-annual basis.

(thousands of $)

Term to Maturity (years)	1999 Carrying Value	1999 Average Effective Rates	1998 Carrying Value	1998 Average Effective Rates
Government of Canada:				
After one through five	$ 59,946	5.7%	$ 81,734	5.4%
After five	116,594	5.7%	74,181	5.2%
Canadian provincial & municipal:				
One or less	–	–	2,750	10.0%
After one through five	13,926	5.5%	18,680	5.7%
After five	28,186	6.1%	18,984	6.4%
Canadian corporate:				
One or less	840	6.1%	–	–
After one through five	22,936	6.2%	15,624	5.7%
After five	27,605	6.9%	26,601	6.8%
Total bonds & debentures	$270,033		$238,554	

Included in bonds and debentures above are bonds denominated in United States dollars with a carrying value of $4,668,000 (1998 - $4,021,000). Repayment of principal and interest is receivable on a semi-annual basis in United States dollars. In order to minimize the risk of foreign exchange fluctuations, the Corporation has hedged this risk by purchasing United States dollar forward exchange contracts.

(ii) Pooled bond fund:
The Fund owns units in a pooled bond fund which has no fixed interest rate and its returns are based on the success of the fund manager and future interest rates.

(iii) Common shares:
Common shares have no fixed maturity dates and are generally not exposed to interest rate risk. Dividends are generally declared on an annual basis. The average effective rate is 1.9% (1998 - 1.9%).

Common shares include $15,803,000 (1998 - $14,375,000) denoted in United States dollars.

The Fund's investment policy limits its investment concentration in any one investee or related group of investees to 10% of the market value of the Fund's common shares. As well, no one holding may represent more than 10% of the voting shares of any corporation.

(iv) Pooled equity fund:
The Fund owns units in a pooled equity fund which has no fixed interest rate and its returns are based on the success of the fund manager.

(v) Mortgages:

The mortgage portfolio consists entirely of Canadian commercial mortgages with an average effective interest rate of 7.5% (1998 - 8.5%) with an average maturity of 4.2 years (1998 - 2.4 years). Principal and interest is receivable on a monthly basis.

6. NET INVESTMENT IN CAPITAL LEASES

One of the Fund's capital leases is a 63% interest in a lease agreement with Saskatchewan Property Management Corporation, a related party, for a term of 30 years (expiring March 2011) on property in Prince Albert, Saskatchewan. The related party total minimum lease payments receivable is $11,190,000 (1998 - $12,184,000), and unearned income is $4,495,000 (1998 - $5,183,000).

Each lease transfers substantially all of the benefits and risks incident with the ownership of the property to the lessee. The Fund's total net investment in capital leases includes the following:

	(thousands of $)	
	1999	1998
Total minimum lease payments receivable ($1,105,000 per year)	**$11,652**	**$12,757**
Unearned income	**(4,575)**	**(5,302)**
Net investment in capital lease	**$ 7,077**	**$ 7,455**

The fair value of the net investment in capital leases is $8,070,000 (1998 - $8,884,000).

7. CAPITAL ASSETS

The components of the Fund's investment in capital assets, as well as the related accumulated amortization, are as follows:

	(thousands of $)			
	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	**$ 5,160**	**-**	**$ 5,160**	**$ 5,210**
Buildings and improvements	**28,632**	**$10,393**	**18,239**	**16,985**
Computer hardware, system costs and other equipment	**24,106**	**17,007**	**7,099**	**6,353**
Total	**$57,898**	**$27,400**	**$30,498**	**$28,548**

Amortization for the year is $4,895,000 (1998 - $8,572,000).

8. PROVISION FOR UNPAID CLAIMS

(i) Nature of unpaid claims:

The establishment of the provision for unpaid claims is based on known facts and interpretation of circumstances and is therefore a complex process influenced by a large variety of factors. Measurement of the provision is uncertain due to claims that are not reported to the Fund at the year-end date and therefore estimates are made as to the value of these claims. As well, uncertainty exists for reported claims that have not been settled as all the necessary information may not be available at the balance sheet date.

There are a number of factors used to estimate the provision, such as the Fund's experience with similar cases, historical trends involving claim payments, the characteristics of the class of business, claims severity and claims frequency such as those caused by natural disasters, the effect of inflation on future claims, court decisions and economic conditions. Time is also a critical factor in determining the provision, since the longer it takes to settle and pay a claim the more variable the ultimate settlement amount will be. Accordingly, short-tail claims such as damage claims tend to be more reasonably predictable than long-tail claims such as long-term disability and liability claims.

As a result, the establishment of the provision for unpaid claims relies on a number of factors and on the judgment and opinions of a large number of individuals, which necessarily involves risks that the actual results may differ materially from the estimates.

Included in the provision for unpaid claims are discounted amounts for accident benefit entitlements in the amount of $337,550,000 (1998 - $284,688,000). These claims have been discounted using a rate of 2.5% to 6% to take account of the time value of money and include a provision for adverse development.

Changes in the estimate for the provision for unpaid claims in 1999 and 1998 are as follows:

	(thousands of $)	
	1999	1998
Net unpaid claims - beginning of year	$493,032	$487,742
Payments made during the year relating to prior year claims	(139,769)	(144,744)
Deficiency relating to prior year estimated unpaid claims	2,285	6,696
Net unpaid claims for claims of prior years	$355,548	$349,694
Provision for claims occurring in the current year	169,702	143,338
Net unpaid claims - end of year	$525,250	$493,032

(ii) Type of unpaid claims:

The provision for unpaid claims is summarized by type of claim as follows:

	(thousands of $)	
	1999	1998
Injury accident benefits	$356,974	$303,078
Injury liability	126,146	151,242
Damage	42,130	38,712
Total	$525,250	$493,032

9. INVESTMENT EARNINGS

The components of investment earnings are as follows:

	(thousands of $)	
	1999	1998
Interest and dividends	$29,884	$27,624
Realized gains on sale of investments	14,137	27,143
Income from income producing property, net of operating costs of $777,000 (1998 - $740,000)	998	989
Income from capital leases	727	762
Investment write down	(1,203)	(1,781)
Total investment earnings	$44,543	$54,737

Cash inflows from the income producing property are $1,103,000 (1998 - $1,060,000).

10. OTHER INCOME

The Fund operates a salvage division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claim settlement process. In 1999, total salvage sales were $21,445,000 (1998 - $19,731,000); gross earnings on sales were $7,765,000 (1998 - $7,267,000); and net earnings were $4,803,000 (1998 - $4,242,000). The net earnings of the salvage division are included in other income.

The Fund offers a Short-Term Vehicle Registration and Insurance plan which allows the motoring public to choose the number of months they wish to insure and register their vehicle. Another payment option, AutoPay, allows the motoring public to have equal monthly withdrawals made from their bank accounts for their vehicle registration and insurance. Included in other income is $11,473,000 (1998 - $9,328,000) for fees charged to users of these plans.

11. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Fund by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Transactions and amounts outstanding at year-end, are as follows:

	(thousands of $)	
Category	1999	1998
Cash and treasury bills	-	$1,979
Accounts receivable	$4,361	1,930
Deferred policy acquisition costs	6,915	6,364
Investments	3,438	5,091
Accounts payable and accrued charges	352	265
Premium taxes payable	17,162	16,224
Provision for unpaid claims	2,443	3,439
Unearned premiums	2,021	1,842
Premiums written	5,016	4,696
Premiums earned	4,854	4,469
Investment earnings	874	886
Claims incurred	17,164	17,250
Premium taxes	16,611	15,442
Administrative expenses	1,907	2,251
Traffic safety programs	1,536	1,233

Saskatchewan Government Insurance (SGI) acts as administrator of the Fund. Administrative and claim adjustment expenses incurred by SGI are allocated to the Fund and SGI directly or on the basis of specific distributions. Amounts incurred by SGI and charged to the Fund were $66,920,000 (1998 - $74,336,000) and accounts receivable are $230,000 (1998 accounts payable - $2,367,000).

The Fund acts as agent for the provincial Department of Finance regarding the collection of driver and motor vehicle licence registration fees and the collection of education and health tax on certain vehicle purchase transactions. The amounts payable at the year-end date are included in the above table. The costs to administer and collect these fees and taxes on behalf of the Department of Finance are borne by the Auto Fund.

Other related party transactions are described separately in the notes.

12. FAIR VALUES

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

(i) For the following financial instruments the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments:

(a) cash and treasury bills
(b) accounts receivable
(c) accounts payable and accrued charges
(d) premium taxes payable

(ii) For the following financial instruments the fair values are considered to approximate quoted market values on recognized stock exchanges, based on the latest bid prices:

(a) bonds and debentures
(b) pooled bond fund
(c) common shares
(d) pooled equity fund

(iii) Mortgages
The fair value is calculated by discounting scheduled cash flows through to the estimated maturity of the mortgage using current interest rates.

(iv) Net investment in capital lease
The fair value is calculated by discounting scheduled cash flows through to the estimated expiration of the lease using current interest rates.

(v) Provision for unpaid claims
The fair value of the provision for unpaid claims has been omitted because it is not practicable to determine fair value with sufficient reliability (note 8).

13. COMMITMENTS

The Fund has contractual obligations to provide funding to Saskatchewan health organizations for costs associated with research and rehabilitation of victims of automobile accidents. The funding to be provided over the next five years is anticipated to be $26.9 million.

14. YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers or other third parties, have been fully resolved.

15. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 1998 balances have been reclassified to conform with the 1999 financial statement presentation.